



**Office of Economic Development  
City of Seattle**

Stephen H. Johnson, Acting Director  
Mike McGinn, Mayor

## Memo

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**Date:** April 6, 2010

**To:** Councilmember Richard Conlin  
Councilmember Mike O'Brien  
Councilmember Jean Godden  
Councilmember Tim Burgess

**CC:** Phyllis Shulman, Legislative Assistant

**From:** Steve Johnson and Ken Takahashi, Office of Economic Development

**Re:** Briefing on approach to allocating New Markets Tax Credits

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In the past year, the City of Seattle has obtained access to federal New Markets Tax Credits that will help increase the availability of credit for business and real estate projects. In November 2009, OED received a \$40 million allocation of federal new markets tax credits (NMTC) to invest in business and real estate projects in certain census tracts that meet federal standards for eligibility.

We have been working with Council Staff to develop policies for using NMTCs. Such policies have been developed with a focus on balancing the need for transparency, benefit, risk reduction and efficiency. OED is preparing legislation that will seek Council approval of the policies and procedures.

A draft of the proposal is attached and summarized in this memo.

### **Key Elements of the Policies and Procedures**

- **Financial and Legal Risk Reduction:** General purpose governments are not eligible to receive New Markets Tax Credits and OED created a limited liability corporation (Seattle Investment Fund LLC) – defined by the federal government as the Community Development Entity (CDE) to overcome this restriction. The NMTC policies ensure that the City's financial and legal risk will be minimized by maintaining a clear distinction between the activities of the CDE and the activities of the general-purpose government. At the same time, Council and Executive representation on the Investment Committee will allow for strong City oversight and input.
- **Timing and Efficiency:** The City needs to be very efficient in using NMTCs. Federal rules require that a majority of the tax credits have to be invested within three years. OED's goal is to get the majority of NMTCs invested within 18 months so that we can apply for another round. The NMTC policies create an Investment Committee that will allow for the CDE's efficient investment of NMTCs.
- **Investment Criteria:** The NMTC policies identify investment criteria, resulting in the selection of projects that will be ready-to-go and achieve high public benefit impact:
  - **Geographic Eligibility:** projects need to be located in census tracts identified by the federal government as economically distressed using poverty, income, and unemployment data.

- *Project Readiness*: letters of interest from the lenders/investors needed to finance the transaction and evidence that the project is feasible within the proposed timeline
- *Public Benefits*: Priority will be given to projects that create the following economic development benefits (listed in the order of priority):
  - Create and retain permanent jobs
  - Increase goods and services needed by the neighborhood
  - Serve as an anchor for future economic development in the immediate neighborhood
  - Enhance the local tax base through increased sales and/or property taxes from future project operations
  - Include energy efficient building or process improvements
- *Transparency and Oversight*: The NMTC policies ensure that NMTC projects will be selected through City involvement and community oversight:
  - *Investment Committee*: All decisions for approving NMTC projects will be delegated to a 5 member investment committee. The Council and Mayor will appoint the 5 members to the committee. At least one member will be from an Advisory Committee (see below)
  - *Advisory Committee*: A seven member body charged with providing advice and community oversight to the actions of the CDE and Investment Committee.

We are attaching draft NMTC Policies and Procedures that provide additional details on our NMTC program.